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Subject: Comments on Dennis' Declaration in UC/CSU Lawsuit

Mike: Here are my comments. Apologies for the fact that they are quick and dirty.

All Enron's public statements that I have read, including, I think, statements made to financial analysts, state that our exposure in California is not "material." Dennis' declaration says that the situation in California has been a "financial disaster," that "Enron has lost over \$300 million," and that "Enron stands to lose millions more." The losses are described as "huge." Perhaps this is information that has since been communicated to the market, but I'm not aware of it. And if it hasn't, it could represent a significant conflict with previous statements. Seems prudent to run this by IR and perhaps others before releasing.

Regarding the statements about our hedging strategy. It would seem prudent to run this through the organization for comment and discussion prior to making public.

Very minor technical point—I don't think that AB 1890 was passed "unanimously." I think that there was 1 nay vote.

The statement is made that "the utilities were required to sell off most of their generating capacity." The utilities were only required to sell off 1/2 of their fossil-fired plants (which I think at the time may have amounted to about .2-.25 of their total gen assets). They chose voluntarily to sell off the remainder of their fossil-fired plants.

It is stated that stranded costs are "investments in imprudent power generation facilities." These investments were in fact found in the past to be prudent by the PUC. Would therefore not seem accurate to call them imprudent now.

Is it now "virtually impossible to manage commodity risk" in California? Just wondering if judge might view the statement as overstating the situation somewhat.

From a PR perspective, I'm wondering if we want to characterize re-sourcing UC/CSU in the following manner, "It was actually a relatively easy decision to make." Makes Enron sound perhaps excessively hard-nosed.

Best,
Jeff